

Message Text

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E.O. 11652: N/A

TAGS: EFIN EEC

SUBJECT: EC CENTRAL BANK GOVERNORS COMMITTEE SUBMIT AN
OPINION ON GOLD TRANSACTION TO EC COUNCIL (FINANCE)

REF: EC BRUSSELS 1367

1. SUMMARY: THE EC COUNCIL RECEIVED A PROPOSAL FROM THE EC CENTRAL BANKERS' COMMITTEE AT ITS FEBRUARY 17 MEETING CONCERNING A PROCEDURE OVER A TWO-YEAR PERIOD FOR CENTRAL BANKS TO BUY AND SELL GOLD AMONG THEMSELVES AND IN THE FREE MARKET. ALL OF THE MEMBER STATES' CENTRAL BANKS REPORTEDLY SUPPORTED THE PROPOSAL EXCEPT THE FRENCH. THE COUNCIL DID NOT DISCUSS THE SUBSTANCE OF THE PROPOSAL BUT ASKED FOR FURTHER STUDY. END SUMMARY.

2. THE COMMITTEE OF GOVERNORS OF THE EC CENTRAL BANKS SUBMITTED A PROPOSAL CONCERNING GOLD TRANSACTIONS TO THE EC COUNCIL (FINANCE) OF FEBRUARY 17. THE COMMITTEE PROPOSED THAT MEMBER STATES' CENTRAL BANKS SHOULD BE PERMITTED TO BUY AND SELL GOLD AMONG THEMSELVES AND ON THE MARKET PROVIDED THAT FOR AN INITIAL TWO-YEAR PERIOD THE NET STOCK OF GOLD AMONG PARTICI-
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PANTS WOULD NOT INCREASE. THE REPORT STATES A "LARGE MAJORITY" OF EC CENTRAL BANKS APPROVE THE PROPOSAL. THE EC COUNCIL

DID NOT DISCUSS THE SUBSTANCE OF THIS PROPOSAL AND ASKED THE CENTRAL BANK COMMITTEE AND EC MONETARY COMMITTEE TO CONTINUE STUDIES IN THIS AREA.

3. EC COMMISSION OFFICIALS INFORM US THAT THE COUNCIL WANTS TO DELAY A DECISION ON THIS ISSUE IN THE HOPE THAT THE FRENCH GOVERNMENT'S POSITION WOULD CHANGE. AT PRESENT FRENCH CENTRAL BANK AUTHORITIES ARE THE ONLY ONES WHO OBJECTED TO THE COMMITTEE'S PROPOSAL. (THE FRENCH BELIEVE THAT THE CONDITIONS OF THE PROPOSAL ARE TOO RESTRICTIVE.) OUR SOURCES INDICATE THAT THE COUNCIL IS IN NO RUSH TO REACH A FINAL DECISION ON THIS ISSUE BECAUSE THE GOLD ISSUE IS NOT SCHEDULED TO COME UP FOR DECISION IN THE IMF UNTIL JUNE. FRENCH VIEWS ON THIS ISSUE ARE REPORTEDLY IN FLUX. HENCE, THE COUNCIL AND COMMISSION WOULD PREFER TO BIDE THEIR TIME. THE EC MONETARY COMMITTEE IS NOW SCHEDULED TO TAKE UP THE CENTRAL BANKERS' PROPOSAL.

4. THE FOLLOWING IS THE TEXT OF THE PROPOSAL:

QUOTE:

OPINION OF THE COMMITTEE OF GOVERNORS CONCERNING GOLD TRANSACTIONS BETWEEN CENTRAL BANKS AND IN THE MARKET THE COMMITTEE OF GOVERNORS HAS REACHED AGREEMENT ON THE NEED TO SEEK AN AMENDMENT OF ARTICLE IV, SECTION 2, OF THE ARTICLES OF AGREEMENT OF THE INTERNATIONAL MONETARY FUND, SO AS TO REMOVE ALL RESTRICTIONS THAT MIGHT AFFECT CENTRAL BANKS' GOLD TRANSACTIONS WITH EACH OTHER AND WITH THE MARKET. IT CONSIDERS THAT THIS WOULD BE AN IMPORTANT STEP TOWARDS ACTUAL IMPLEMENTATION OF THE PRINCIPLES AGREED UPON AT ZEIST.

WITH A VIEW TO FACILITATING GENERAL ACCEPTANCE OF THIS AMENDMENT AND IN THE LIGHT OF THE GUIDELINES THAT EMERGED AT THE MEETING OF THE IMF INTERIM COMMITTEE ON 15TH AND 16TH JANUARY 1975 WITH REGARD TO GOLD TRANSACTIONS BETWEEN MONETARY AUTHORITIES (SEE POINT 8 OF THE PRESS COMMUNIQUE), A LARGE MAJORITY OF THE COMMITTEE THOUGHT THAT THE MEMBER COUNTRIES OF THE EUROPEAN ECONOMIC COMMUNITY WOULD PERHAPS BE PREPARED TO SUGGEST AN ARRANGEMENT THAT MIGHT TAKE THE FOLLOWING FORM:

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1. UNDER AN ARRANGEMENT CONCLUDED BETWEEN THE MEMBER COUNTRIES AND POSSIBLY WITH OTHER MAJOR GOLDFIELDING INDUSTRIAL COUNTRIES, THE COMMUNITY WOULD UNDERTAKE NOT TO INCREASE OVER A PERIOD OF TWO YEARS BY NET PURCHASES IN THE MARKET ITS STOCK OF GOLD, EXPRESSED IN TERMS OF WEIGHT, BEYOND THAT HELD AT A GIVEN DATE (SAY, 1ST JANUARY 1975). THIS UNDERTAKING, WHICH WOULD BE VALID FOR A PERIOD TO TWO YEARS AND WOULD BE RENEWABLE, WOULD NOT APPLY TO THE TRANSACTIONS BETWEEN MONETARY AUTHORITIES REFERRED TO UNDER POINT 2. BELOW.

2. GOLD TRANSACTIONS BETWEEN MONETARY AUTHORITIES OF THE COUNTRIES PARTICIPATING IN THE ARRANGEMENT (HEREINAFTER REFERRED TO AS THE GROUP) AND BETWEEN THOSE COUNTRIES AND THE IMF WOULD BE FREE FROM RESTRICTION AND WOULD NOT BE REGARDED AS AFFECTING THE GOLD STOCK OF THE PARTIES TO THE ARRANGEMENT.

3. GOLD OPERATIONS WITH MONETARY AUTHORITIES OF COUNTRIES NOT BELONGING TO THE GROUP THAT HAD CONCLUDED THE ARRANGEMENT WOULD BE REGARDED AS PURCHASES OR SALES IN THE MARKET.

4. THESE PRINCIPLES WILL HAVE TO BE SPELT OUT MORE FULLY AT A LATER DATE, ESPECIALLY AS REGARDS THE FOLLOWING:

- A. THE POSSIBLE EXCEPTIONS TO THE RULE THAT SALES OF GOLD BY A COUNTRY MEMBER OF THE GROUP MAY BE OFFSET BY PURCHASES OF GOLD BY ANOTHER COUNTRY MEMBER OF THE GROUP, SHOULD BE DEFINED;
- B. THE EXTENT TO WHICH SALES HAVE TO OCCUR PRIOR TO PURCHASES OR NOT, HAS TO BE SETTLED;
- C. WOULD THE MEMBER COUNTRIES OF THE E.E.C. AS A GROUP ASSUME COMMITMENTS TOWARDS THE OTHER PARTICIPATING MEMBERS OR WOULD ALL PARTICIPATING COUNTRIES, BELONGING OR NOT TO THE COMMUNITY, ENJOY THE SAME RIGHTS AND ASSUME THE SAME OBLIGATIONS?
- D. THE INSTITUTIONS RESPONSIBLE FOR COORDINATING THE GOLD OPERATIONS HAVE TO BE CHOSEN: THE EMCOF (EUROPEAN MONETARY COOPERATION FUND) AND THE BIS ARE TWO POSSIBILITIES.

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